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FINANCIAL REGULATIONS AND FINANCIAL RULES

Amendments to the financial rules

Report by the Director-General

1. Pursuant to financial regulation 12.1, the Financial Rules of UNIDO were issued as set out in Director-General's bulletin UNIDO/DG/B.74/Rev.1.

2. The present document reports on amendments to three financial rules to align those rules with actual accounting and financial reporting practice, and to comply with the recommendation of the External Auditor in respect thereof.

3. The financial rules amended are 104.3, 109.6(b) and 110.7(b) and relate to certain financial obligations and commitments and the accounting treatment thereof in the financial statements of the Organization.

For reasons of economy, this document has been printed in a limited number. Delegates are kindly requested to bring their copies of documents to meetings.

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Amendments to Financial Rules

Rule	Previous Rule (Deletion - *italic*)	Amended Rule (New wording - **bold**)	Reason for amendments
104.3	In instances where legal obligations exist at the end of a fiscal period, which result from authority to enter into commitments granted under rule 109.6(a), the commitments shall be *charged to a deferred charge account. The deferred charge shall, in turn, be transferred to the appropriate account when the necessary appropriation or funds become available. (See also rule 109.6 on commitments against the appropriations of current and future fiscal periods.)*	In instances where legal obligations exist at the end of a fiscal period, which result from the authority to enter into commitments granted under rule 109.6(a), the commitments shall be **reported in the notes to the financial statements**.	In compliance with the recommendation of the External Auditor, the Director-General has amended financial rules 104.3, 109.6(b) and 110.7(b) to conform with actual accounting and financial reporting practice.
109.6(b)	DDG/ADM shall maintain a record *in the accounts* of all such commitments, which shall constitute a first charge against the relevant appropriations as these are voted by the Conference.	Managing Director/DA shall maintain a record of all such commitments, which shall constitute a first charge against the relevant appropriations as these are voted by the Conference.	
110.7(b)	On the closing of the accounts for the fiscal period, the balance in the account for the loss or gain on exchange shall be debited *to the budget account if there is a net loss; if there is a net profit, such profit shall be* credited to miscellaneous income.	On the closing of the accounts for the fiscal period, the balance in the account for the loss or gain on exchange shall be debited **or** credited to miscellaneous income **and reported as gain/loss on exchange in the financial statements**.	